



KENTUCKY PUBLIC EMPLOYEES' DEFERRED COMPENSATION AUTHORITY

Newsletter

Join us on the "WEB" at: www.kentuckydcp.com or
www.state.ky.us/agencies/personnel/dcomp.htm
 or email us at: persdeferredcomp@mail.state.ky.us
 Telephone number: (502) 573-7925 or
 (800) 542-2667
 Fax number: (502) 573-4494
 Nationwide® Retirement Solutions (NRS)
 Web-Site Help Center: (800) 653-4632
 Our address:
 105 Sea Hero Road, Suite 1
 Frankfort, Kentucky 40601-8862

JULY 2002

Come ONE, Come ALL to the 2002 Regional Expo Meeting in Your Area!



The Staff at the Kentucky Public Employees' Deferred Compensation Authority will soon be taking to the road to bring you EXPO 2002.

As our theme implies, we are offering more of a "one-on-one" approach than we have in past years. Our main goal this year is to see that you personally get your specific questions answered. Whether you are currently participating in Deferred Comp or just now

considering enrollment, the new format will provide an opportunity to learn more about our program and its many features.

EXPO 2002 will also give you a chance to make changes to your account. We encourage you to bring your statement and one of our staff will be glad to assist you. As in previous years, state employees will be allowed two hours leave with pay, plus reasonable travel time, to attend the Expo nearest them.

**This year's theme:
"UP CLOSE AND
PERSONAL"**

Plan to attend the Expo in your area.

For directions to the site, please contact the facility at the phone number provided below
 Two Sessions (same program) 9:00 a.m.-11:00 a.m. and 2:00 p.m.-4:00 p.m.

DATE	CITY	SITE	Street Address	Phone Number
July 16, 2002	Grayson	Conference Center	371 CW Stevens Blvd Grayson KY	606-474-6656
July 30, 2002	Richmond	Justice Training Center	Stratton Bldg ECU Campus Kit Carson Dr Richmond KY	859-622-5894
July 31, 2002	Erlanger	City of Erlanger, City Hall	505 Commonwealth Ave Erlanger KY	859-727-2525
August 15, 2002	Bowling Green	Bowling Green Municipal Utilities	829 Center St Bowling Green KY	270-782-4301
August 15, 2002	Henderson	City of Henderson, City Hall Chambers	222 First St Henderson KY	270-831-1200
September 24, 2002	Louisville	Founders Union Bldg, U of L Shelby Campus	U of L Shelby Campus Founders Union Bldg Louisville KY	502-852-0365
September 25, 2002	Frankfort	Farnham Dudgeon Civic Center	405 Mero St Frankfort KY	502-564-5335
October 2, 2002	Somerset	Center for Rural Development	2292 South Hwy 27 Somerset KY	606-677-6000
October 3, 2002	Harrodsburg	Harrodsburg Community Center	450 East Factory St Harrodsburg KY	859-734-2383

Fixed Contract Fund Rate

A blended net crediting rate that will yield 5.05% will be credited for the Third Quarter of 2002.
 The rate was 5.25% for the previous quarter.

Plan News

Board Meeting Update

At their regularly scheduled quarterly meeting on May 8, 2002, the Authority Board of Trustees' (Board) took the following actions:

- By unanimous vote of the members present, the Board elected Monika Hubbard to serve as the new Vice Chairman. The previous Vice Chairman, Mr. Ed Ross, was elected Chairman in February 2002. Ms. Hubbard, from Louisville, is Southeastern Sales Consultant for Epic Advisors. She was appointed to the board by Governor Patton on January 16, 1999. Her term will expire on January 16, 2003.
- Based on continued poor performance relative to its peer group, the Board placed Putnam Investors Fund on the *Watch List* effective May 8, 2002. In addition, Munder NetNet Fund was retained on the *Watch List*. A fund is placed on the *Watch List* when its three-year average return for the period falls into the third or fourth quartile for its appropriate Morningstar Category for three consecutive quarters and when its one-year quartile ranking, within this category, ranks in the bottom half.
- Cotton & Allen, PSC, was awarded the contract to provide auditing services to the Authority for the period beginning July 1, 2002 and ending June 30, 2004. The board's decision was based on the recommendation made by the Audit Request for Proposal Selection Committee who reviewed bids submitted by four auditing firms. Louisville based, Cotton & Allen has audited the Authority Plans since 1996.

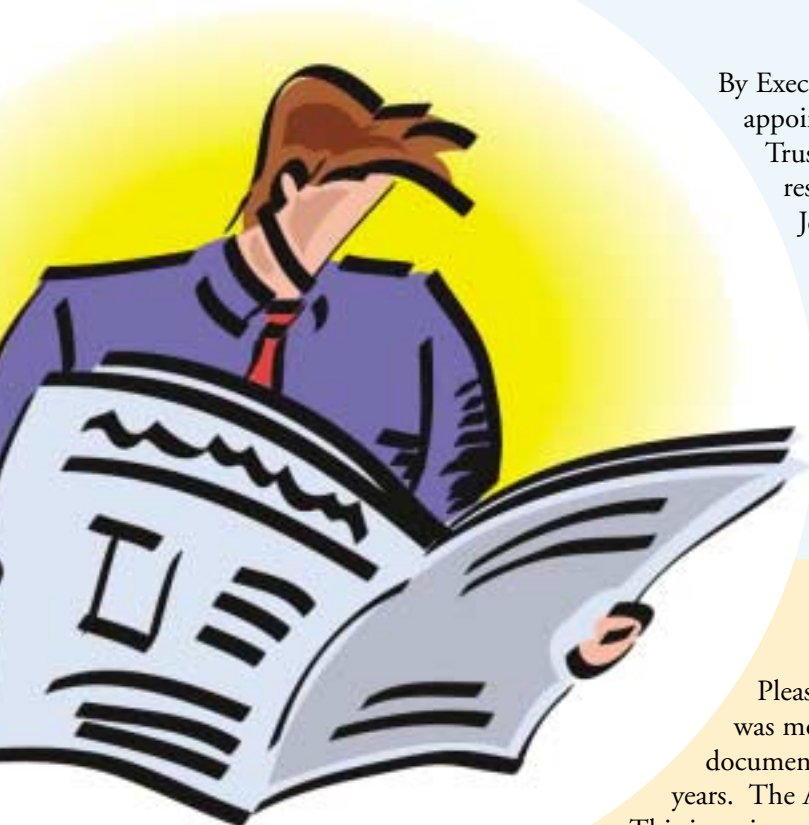
In other news:

By Executive Order on May 13, 2002, Governor Patton appointed Mr. W. Richard Jones to the Authority Board of Trustees (Board) to replace Mr. Ronald J. Murphy who resigned from the Board effective February 13, 2002. Mr. Jones will serve the remainder of Mr. Murphy's term, which ends January 16, 2003.

Mr. Jones is currently employed by PNC Advisors as Director of Investments. Mr. Jones resides in Louisville with his wife Anne. He holds an undergraduate degree from Washington & Lee University and a graduate school degree from Georgetown University.

Loan Information

Please note that, effective May 1, 2002, the loan initiation fee was modified to \$50.00. This fee is required to cover certain document preparation costs and had not been increased in several years. The Authority now also retains 1.0% of the interest on a loan. This is an increase from .75%.



How to Avoid a Busy Signal

Each quarter when statements are mailed to over 56,000 Kentucky Public Employees' Deferred Compensation participants, it seems to serve as a reminder to them that they should increase the amount of their deferral, change their investments options, update their address, etc. As you might imagine, for approximately two weeks following the receipt of statements our phones virtually don't stop ringing. We know how frustrating it can be when you try to reach one of our counselors during this busy time and instead you get voice mail. Here are some tips that should help us serve you better.



Helpful Hints

-  Remember, changes can be made to your account at any time, not just following a statement period.
-  Monday tends to be our heaviest phone day of the week, so you may find we are easier to reach if you call Tuesday – Friday.
-  If you have trouble getting through to us by phone, we offer the following additional options for making changes to your account:
 - The Website at www.kentuckydcp.com
 - Our voice activated SAVER line at 1-800-793-4401
 - Fax your address changes, etc to us at 502-573-4494

The employees at Deferred Compensation are always eager to give you the personal attention you deserve. Should you find your call has been directed to the voice mail of one of our counselors, please leave your name and phone number and the counselor will make every effort to return your call the very same business day.

We're Not Going Anywhere!

You may have noticed that our address has changed on some of our forms. Don't worry; we're not going anywhere. The Post Office recently notified us that because a new building has been built in front of ours, we can no longer use the Georgetown Road address. Consequently, you will find us in the *same location*, with the following *new mailing address*:

Kentucky Public Employees' Deferred Compensation Authority
 105 Sea Hero Road, Suite 1
 Frankfort, KY 40601

Our toll free telephone number remains: **800-542-2667**

Fund Spotlight

For information only – NOT a recommendation for investment

Brown Capital Management Small Company Fund (Institutional Class)

INVESTMENT OBJECTIVE: Provide capital appreciation, primarily through investments in the common stock of companies with operating revenues of \$250 million or less, at the time of initial investment. These are the companies that Brown investment professionals believe are in the early stages of success.

APPROACH: Growth at a reasonable price. Brown fund managers are fundamentalists, focusing on “bottom-up” stock picking and emphasizing relative value in seeking companies and industries with attractive growth prospects.

SUITABILITY: This fund, which invests in small growth companies (companies with operating revenues of \$250 million or less at time of initial investment) should be considered by investors who are willing to accept a more aggressive level of risk.

MANAGERS: Team: Eddie C. Brown, Robert E. Hall, Keith A. Lee, Kempton M. Ingersol. Average of more than two decades of investment experience.

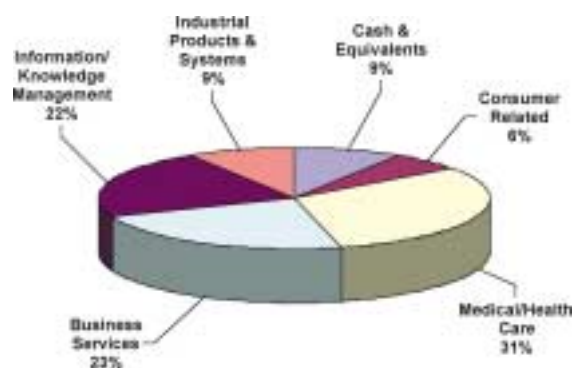
NET ASSETS: \$409.1 Million

Significant Holdings:*

Manugistics Group Inc	5.5%
Aaipharma Inc	3.3%
Gene Logic Inc	3.3%
Catalina Marketing	3.0%
Concord Communications Inc	3.0%
Fair Issac & Co	2.9%
Manhattan Associates, Inc.	2.9%
Albany Molecular Research	2.8%
Cognex Corp	2.7%
Affymetrix Inc.	2.5%

*% of total assets

Sector Weightings



Total Return Performance

	Fund*	Russell 2000 Growth Index	Lipper Small Cap Growth Index
Months	-3.55%	-1.96%	-1.44%
1 Year	25.72%	4.95%	5.73%
3 Years**	25.88%	0.16%	9.45%
5 Years**	21.54%	4.76%	10.09%

*Inception 7/23/92. Performance starting 12/31/92.

** Annualized Total Return

Annualized Since Inception Performance 17.14%

All information as of March 31, 2002.

Small company funds involve increased risk and volatility.